

What's New?

New Faces

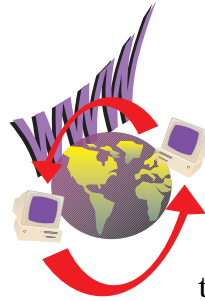
Jim Haynes was recently appointed as the new Director of Charitable Gaming and Investigative Services. During the last 11 years at the Nebraska Department of Revenue, Jim served as an investigator in Investigative Services, as a supervisor in Investigative Services in charge of lottery investigations, and most recently as the Department's Personnel Manager. He received his Bachelor's degree in Business Administration from UNL. Jim is dedicated to customer service and compliance issues. He feels using education and training work best to achieve these goals, as well to assist the licensees and others we serve. Jim has a true open door policy so if you have questions or comments, please call or write. He can be reached at (402) 471-5813 or by e-mail at jhaynes@rev.state.ne.us.

Stacey Oliver joined the Department as the new attorney for the Charitable Gaming Division on February 4, 2002. Stacey was in private practice in Lincoln and worked with family, criminal, juvenile, and bankruptcy law for a year and a half. She graduated from the University of Nebraska College of Law in May 2000. If you have a question relating to legal issues, Stacey can be reached at (402) 471-6193 or by e-mail at soliver@rev.state.ne.us.

Regs

Regulations have been adopted and more updates are proposed. See the article on the new bingo regulations effective March 10, 2002 on page 9. Refer to the article on page 11 about the trio of county/city lottery regulations which became effective September 29, 2001 to extend the expiration of existing licenses to May 31, 2002. And a regulation hearing is scheduled for July 17, 2002 to bring many more regulations into conformity with existing law as discussed on page 3.

Web Site



Charitable Gaming's Web site has been redesigned in an effort to make it more user-friendly. The enhancements will also give more licensees with all types of computers the capability

to more easily access and print the information they need. Information on the new site is now arranged by gaming category. For example, if you conduct bingo, all the forms, applications, statutes, regulations, and other publications that you need to know about are now grouped together under the option key "BINGO" on the Charitable Gaming home page. Option keys are also set up for Pickle Cards, Lottery/Raffle, and County/City Lottery (keno). It is no longer necessary to link in and out of individual option buttons to find everything on the Web site that applies to your particular charitable gaming activity.

In addition, if you go to the "Contact Us" option on Charitable Gaming's Web site, you are now able to e-mail us directly!

Check out our new site by going to

(continued on page 2)

THIS ISSUE CONTAINS

Regulation Hearing	3
2002 Legislative Update	4
Administration Actions	6
Pickle Card Concerns	8
County/City Lottery	9
Illegal to Play on Credit	10
Purchase from Licensed Dealers ...	11

(continued from page 1)

www.revenue.state.ne.us/gaming. We hope that the redesign and enhancements to our Web site assist you in finding what you need, but if you still want to talk with a "real person" please don't hesitate to call us!

Our New Look

Welcome to "CG News". This is the first edition with our new title and banner to reflect our new focus as a partnership with you in charitable gaming activities. Let's work together to further successful charitable gaming.

Farewell to Departed Staff

Linda Bowers, former Legal Counsel, moved to Denver, Colorado last August to assume her new

duties as Corporate Attorney for Tri-State Generation and Transmission Corporation, Denver, Colorado. Tri-State is an electrical generation cooperative corporation doing business in four states, including Nebraska. We wish her success in her new position.

Jean Angell, former Charitable Gaming Administrator, left the Department last December. We wish her well in her future endeavors.

Correction

On page 8 of the July 2001 edition, the third paragraph should have stated that Mr. Donohue answered "Yes" to the inquiry into his criminal history relating to fraud, theft or gambling. The response Mr. Donohue provided to the question reported in our last newsletter was incorrect.

NEBRASKA DEPARTMENT OF REVENUE
STATE TAX COMMISSIONER — MARY JANE EGR
Director of Charitable Gaming and Investigative Services — Jim Haynes
Charitable Gaming Managers — Gerald Otoupal and Steve Schatz

WHO TO CONTACT FOR.....

Audits, Annual and Quarterly Reports, and Tax Returns

Gerald Otoupal	(402) 471-5940	gotoupal@rev.state.ne.us
Gene Weiner	(402) 471-5953	eweiner@rev.state.ne.us
Pete Andersen	(402) 471-5936	panderse@rev.state.ne.us

Pickle Card Receipt Books

Barb Bauhof	(402) 471-5937	bbauhof@rev.state.ne.us
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Licenses, Authorizations, Permits, Device Decals, and Forms

Carri Fitzgerald	(402) 471-5949	cfitzger@rev.state.ne.us
Mary Gropp	(402) 471-5939	mgropp@rev.state.ne.us
Gail Ross	(402) 471-5955	gross@rev.state.ne.us

Bingo, Pickle Card, and Lottery/Raffle Game Conduct

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Steve Schatz	(402) 471-5943	sschatz@rev.state.ne.us

County/City Lottery Game Conduct

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Investigations and Fingerprints

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Mike Olsen	(402) 471-5948	molsen@rev.state.ne.us

Legal Proceedings

Stacey Oliver	(402) 471-6193	soliver@rev.state.ne.us
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Inspections

Kim Nelson	(402) 471-5947	knelson@rev.state.ne.us
Gerald Otoupal	(402) 471-5940	gotoupal@rev.state.ne.us

Inspectors by Counties of Responsibility:

Colfax, Dodge, Douglas, Washington:

Roy Abbott	(402) 595-2060	rabbott@rev.state.ne.us
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Butler, Cass, Douglas, Sarpy, Saunders:

David Farkas	(402) 595-2048	dfarkas@rev.state.ne.us
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Adams, Blaine, Boone, Brown, Buffalo, Clay, Custer, Dawson, Franklin, Frontier, Furnas, Garfield, Gosper, Greeley, Hall, Hamilton, Harlan, Howard, Kearney, Keya Paha, Loup, Merrick, Nance, Nuckolls, Phelps, Polk, Red Willow, Rock, Sherman, Valley, Webster, Wheeler:

Carol Hiser	(308) 685-6021	chiser@rev.state.ne.us
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Fillmore, Gage, Jefferson, Johnson, Lancaster, Nemaha, Otoe, Pawnee, Richardson, Saline, Seward, Thayer, York:

Jeff Oliver	(402) 471-5748	joliver@rev.state.ne.us
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Antelope, Boyd, Burt, Cedar, Cuming, Dakota, Dixon, Holt, Knox, Madison, Pierce, Platte, Stanton, Thurston, Wayne:

Bob Shelbourn	(402) 370-3352	bshelbou@rev.state.ne.us
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Arthur, Banner, Box Butte, Chase, Cherry, Cheyenne, Dawes, Deuel, Dundy, Garden, Grant, Hayes, Hitchcock, Hooker, Keith, Kimball, Lincoln, Logan, McPherson, Morrill, Perkins, Scotts Buff, Sheridan, Sioux, Thomas:

Ken Stute	(308) 632-1202	kstute@rev.state.ne.us
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Toll Free (877) 564-1315

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Visit our Web site at: www.revenue.state.ne.us/gaming

Gaming Regulation Hearing July 17th

Even though new bingo regulations were adopted on March 10, 2002, additional law changes made by the Nebraska Legislature during its 2000, 2001, and 2002 sessions required that additional modifications be made to those regulations. Additionally, several other gaming regulations were also in need of updating. Consequently, the Charitable Gaming Division set a public hearing date for the amending of its gaming regulations on July 17, 2002 at 10:00 a.m. in the 6th Floor Conference Room Z of the Nebraska State Office Building in Lincoln, Nebraska.

Notice of the hearing was published in several newspapers across the state as well as on the Secretary of State and Charitable Gaming Web sites. The hearing includes proposed changes to the bingo, pickle card, lottery and raffle, small lottery and raffle, and county and city lottery regulations to reflect legislative changes in gaming law. For the most part, the scope of this rule-making action is limited to merely correcting inconsistencies that exist between the regulations and current law. These inconsistencies are a result of statutory changes made to the gaming laws over the past 12 years by the Nebraska Legislature.

Annual Reports Due August 15



**MARK
THIS
DATE**

The switch to biennial licensing did not change your responsibility to prepare an annual

financial report for each gaming activity. The annual report for the fiscal year ended June 30, 2002 is required to be filed by August 15, 2002. Booklets containing the annual report forms and specific instructions for completing the forms were mailed in the latter part of June 2002.

A new method of completing your annual report is found on the Internet. Simply go to our Web site at www.revenue.state.ne.us/gaming to find the correct form required to be filed by your organization. Tab to the required fields to complete the report and print it when finished. Make a copy for your files as you will not be able to save the

completed form on your computer. Be advised that you must complete the entire form in one operation since there is no "save" capability at this time.

Gaming licenses will not be issued until complete and accurate annual reports are received for all of the organization's licensed gaming activities. A late or incomplete annual report may result in a delay in licensing and/or the imposition of an administrative fine of up to \$1,000. If you are in the first year of a biennial license, you must file a complete report on time or administrative action may be taken which could include a suspension of your license. Please mark your calendars so that your annual report is filed by August 15th.

Biennial Licensing: Phase 2

We are in the second and final phase of shifting to the biennial licensing of bingo, lottery by pickle card, and lottery/raffle. Nonprofit organizations which have tax exempt status under section 501 of the Internal Revenue Code other than section 501(c)(3) or (c)(4) of the code or any volunteer fire department should have received renewal applications in mid-June to renew their licenses for the October 1, 2002 through September 30, 2004 licensing period. These applications are to be filed no later than August 15, 2002.

Nonprofit organizations which have tax exempt status under section 501(c)(3) and (c)(4) will not renew their bingo, lottery by pickle card, or lottery/raffle licenses this year as their biennial licenses do not expire until September 30, 2003. However, these organizations will be receiving a blank copy of the appropriate officer page to report any changes in their officers occurring since the last renewal period. Please remember that licensees are responsible for keeping all licensing information on file with Charitable Gaming Division current. Any changes which occur during the licensing period must be promptly reported to our office.

Another change since our last newsletter is a change in the licensing period for all county/city lottery (keno) licensees. The expiration date of their licenses was extended by regulation to May 31, 2002 and subsequently changed to this expiration date by law. County/city lottery licenses for the period June 1, 2002 to May 31, 2004 were mailed to the licensed county, city, or village in late May.

2002 LEGISLATIVE UPDATE

Two Gaming-Related Bills Signed by Governor

The Nebraska Legislature ended its 2002 session by passing two gaming-related bills along with numerous other pieces of legislation that will affect the citizens of Nebraska. The gaming bills, **LB 545 and LB 1126**, were drafted by the Charitable Gaming Division and signed into law by Governor Johanns in April. **Both bills become effective July 20, 2002.** A brief summary of the major provisions contained in these two bills follows:



requesting a hearing relative to a cease and desist order.

Bingo

- Permits a qualifying nonprofit organization to use disposable bingo paper to conduct special event bingo.

- Lowers the annual gross receipts threshold for a Class II bingo license from \$150,000 to \$100,000 (**Note: This provision becomes operative on October 1, 2002.**)

LB 1126

- Permits the Department to deny a license application or suspend, cancel, or revoke any gaming license when the license applicant or license holder has been cited and sanctioned by the Nebraska Liquor Control Commission for an illegal gambling activity.

LB 545

General

- Requires the filing of a final report and disbursement plan for bingo and pickle card profits within 45 days after an organization dissolves or otherwise becomes no longer licensed. Such organization must also file a disbursement plan for any remaining gaming profits and receive departmental approval of the plan.
- Adds “volunteer first-aid, rescue, ambulance, and emergency squads” to the list of organizations eligible to apply for a bingo, pickle card, or lottery and raffle license.
- Permits the Department to prorate gaming license fees on an annual basis.
- Permits the Department to issue a cease and desist order for a violation of the gaming rules and regulations in addition to violations of any of the gaming statutes. Clarifies the process and time frames for

- Permits a licensed organization to sell or donate its disposable bingo paper to another licensed organization or qualifying nonprofit organization under certain conditions.
- Excludes a licensed organization’s cost of promotional prizes, and the cost for the purchase, rental or lease of certain personal property (such as tables and chairs) needed to conduct bingo from the 14 percent bingo expense limitation.
- Permits a licensed distributor to sell disposable bingo paper to a qualifying nonprofit organization and to other entities (such as a nursing home) with the Department’s approval.

Pickle Cards

- Provides that a licensed organization’s cost of registering a pickle card dispensing device used at its designated premises or bingo occasion is an allowable expense of marketing pickle cards.
- Clarifies that only a licensed sales agent is permitted to deliver or arrange delivery of pickle card units to a pickle card operator.
- Extends the time frame for a licensed distributor to pay for pickle card units purchased from a licensed manufacturer from within 15 days of delivery to within 30 days of delivery.

Lottery and Raffle

- Provides a time frame for a licensed organization to submit a lottery/raffle license renewal application.

County and City Lottery

- Requires a lottery worker applicant who is designated as a keno manager or who has authority over the verification of winning number selection by an electrically operated blower machine (ball draw) to be fingerprinted for criminal background investigation purposes.
- Changes the period of time that a lottery may be inactive and remain authorized from 4 to 10 years.
- Changes the expiration date for licenses issued to a county, city, village, lottery operator, or sales outlet location to May 31 of every even-numbered year.
- Requires information on sales outlet location license applications that are on file with the Department to be kept current.
- Requires biennial license renewal for lottery workers. All current lottery worker licenses will expire on May 31, 2003.
- Establishes the date of the postmark or electronic transmission if a lottery worker license application is mailed or faxed as the date the application is received and the date a lottery worker is able to start work unless the application is not physically received by the Department within 10 days of such date.
- Requires counties, cities, and villages to take a more active role in the review of lottery worker license applications and to keep all information current that is on file with the Department. This includes notification when a licensed lottery worker is no longer working for the lottery of the county, city, or village.
- Allows the Department to require additional information on lottery workers as necessary.

General Affairs Committee to Study Gaming Issues This Fall



The Legislature also introduced two interim study resolutions this session which call for

the General Affairs Committee to look at some gaming issues before the 2003 legislative session begins. Information gathering will take place this summer and a public hearing on these matters will be held in the fall. These two gaming-related resolutions are:

LR 429

To study charitable gaming in Nebraska. The study shall include, but not be limited to, examining methods of addressing declining revenues generated by these forms of gaming, new methods of conducting charitable gaming, and any other matters that are determined to be necessary by the committee for the full consideration of this topic.

LR 433

To study the Nebraska Lottery and Raffle Act and the Nebraska Small Lottery and Raffle Act. The study should determine whether legislation should be introduced to update the acts. The study shall include, but not be limited to examining the monetary limits for lotteries and raffles established in the acts, insuring that the provisions of the acts are consistent with current practices in the industry, and insuring the consistency of the acts with the statutes governing other forms of charitable gaming.

Persons interested in contributing to or finding out more about these studies should contact the General Affairs Committee through its chairman:

Senator Ray Janssen
District 15, State Capitol
P.O. Box 94604
Lincoln NE, 68509-4604

Telephone (402) 471-2625
E-mail: rjanssen@unicam.state.ne.us

Administrative and Court Actions

The following cases reached final administrative determination since the last issue of **Gaming Update**.



In the Matter of Lincoln Keno, Inc., Lincoln, Docket #2001-012-35G. The Department of Revenue instituted an action to deny Lincoln Keno, Inc.'s county/city lottery operator license application, alleging that Lincoln Keno made misrepresentations of or failed to disclose material facts to the Department and failed to demonstrate the ability, experience, or financial responsibility necessary to operate a county/city lottery. The Department was subsequently notified that the City of Lincoln withdrew its approval of Lincoln Keno, Inc. to act as a lottery operator on behalf of the city. Accordingly, Lincoln Keno, Inc., no longer met the statutory requirements to apply for and obtain a county/city lottery operator's license. As a result, the Department rescinded its intended license application denial, and the case was dismissed.

In the Matter of Precision Distributing Company, Omaha, Docket #2001-014-35G. The Department alleged that Precision Distributing, an unlicensed distributor of keno supplies and equipment, had violated the Nebraska County and City Lottery Act by making six sales of lottery equipment (keno balls) to Denton Daily Double Keno. As a result, the Department sought to levy a \$1200 fine against Precision Distributing. Prior to hearing, the Department and Precision Distributing entered a settlement agreement, and Precision Distributing paid a negotiated fine of \$650. Accordingly, an order dismissing the case was issued.

In the Matter of Denton Daily Double Keno, Denton, Docket #2001-015-35G. The Department alleged that Denton Daily Double Keno, a licensed county/city lottery operator, violated Nebraska County and City Lottery Act by making six purchases of lottery equipment (keno balls) from Precision Distributing Company, an unlicensed county/city lottery distributor. As a result, the Department sought to levy a \$600 fine against Denton Daily Double, who subsequently waived their right to an administrative hearing and paid the proposed fine. An order dismissing the case was issued.

In the Matter of Nadine Fourtner Little, North Platte, Docket #2001-016-35G. The Department alleged that Ms. Fourtner Little falsified information on her Nebraska Schedule III - County/City Lottery Worker Application, Form 50G, when she answered "No" in response to the inquiry into her criminal

history relating to fraud, theft, or gambling. In reviewing her application and the results of a criminal background check performed by the Nebraska State Patrol, the Department found that Ms. Fourtner Little had been convicted of a misdemeanor involving the issuance of a bad check in 1998. Ms. Fourtner Little waived her right to a hearing and entered into a stipulation that allowed her to work following a six-month waiting period. Following the waiver and stipulation, the case was dismissed.

In the Matter of Lisa Barnes, Beemer, Docket #2001-017-35G. The Department alleged that Ms. Barnes was convicted of a felony involving theft in 1995 and as a result, sought to deny her Nebraska Schedule III - County/City Lottery Worker Application, Form 50G. Prior to hearing, the Department was informed that Ms. Barnes had voluntarily resigned her position with the sales outlet location for which she had submitted her application, and the case was subsequently dismissed.

In the Matter of M-Z Corporation, d/b/a J-Boys Seven Seas Lounge, Grand Island, Docket #2001-018-35G. The Department instituted an action to deny J-Boys' pickle card operator's license renewal application and to rescind its temporary pickle card operator's license. In support of its motion, the Department alleged that J-Boys had possessed an illegal gambling device and conducted an unlawful gambling activity. In response, J-Boys claimed not to have possessed an illegal gambling device, an assertion which was subsequently confirmed by the Nebraska Liquor Control Commission. Accordingly, the Department's case was dismissed.

In the Matter of Cindy Anne Ortiz, Bellevue, Docket #2001-020-35G. The Department alleged that Ms. Ortiz was convicted of a misdemeanor involving false information in 1999 and as a result, sought to deny her Nebraska Schedule III - County/City Lottery Worker Application, Form 50G. Prior to hearing, the Department was informed that Ms. Ortiz had voluntarily resigned her position with the sales outlet location for which she had submitted her application, and the case was subsequently dismissed.

In the Matter of Jared Ackerman, Ogallala, Docket #2001-022-35G. The Department alleged that Mr. Ackerman falsified information on his

Nebraska Schedule III - County/City Lottery Worker Application, Form 50G, when he answered "No" in response to the inquiry into his criminal history relating to fraud, theft, or gambling. In reviewing his application and the results of a criminal background check performed by the Nebraska State Patrol, the Department found that Mr. Ackerman had been convicted of a misdemeanor involving the issuance of a bad check. Prior to hearing, the Department was informed that Mr. Ackerman had voluntarily resigned his position with the sales outlet location for which he submitted his application, and the case was dismissed.

In the Matter of Donald E. Roland, Gering, Docket #2001-021-35G. The Department alleged that Mr. Roland falsified information on his Nebraska Schedule III - County/City Lottery Worker Application, Form 50G, when he answered "No" in response to the inquiry into his criminal history relative to fraud, theft, or gambling. In reviewing his application and the results of a criminal background check performed by the Nebraska State Patrol, the Department found that Mr. Roland had been convicted of a felony related to dispensing stolen property. Prior to hearing, Mr. Roland voluntarily resigned his position with the sales outlet location for which he submitted his application, and the case was subsequently dismissed.

In the Matter of Nebraska MIL-NIC, Inc., d/b/a Images, Grand Island, Docket #2002-021-35G.

The Department instituted an action to fine Images, a licensed pickle card operator, \$200 for purchasing pickle cards from Dennis Miller, a licensed sales agent for the International Association of Fire Fighters, #647, during a period in which Images did not hold a valid authorization. Images waived its right to an administrative hearing and paid the proposed fine. An order dismissing the case was issued.

In the Matter of International Association of Fire Fighters, #647, Grand Island, Docket #2002-022-35G. The Department instituted an action to fine International Association of Fire Fighters, #647, a licensed pickle card organization, \$200 for selling pickle cards through its licensed sales agent, Dennis Miller, to Images, a licensed but unauthorized pickle card operator. International Association of Fire Fighters, #647, waived its right to an administrative hearing and paid the proposed fine. An order dismissing the case was subsequently issued.

In the Matter of Dennis J. Miller, Grand Island, Docket #2002-023-35G. The Department instituted an action to fine Dennis Miller, a licensed sales agent for the International Association of Fire Fighters, #647, \$200 for selling pickle cards to Nebraska MIL-NIC, Inc., d/b/a Images, a licensed but unauthorized pickle card operator. Mr. Miller waived his right to an administrative hearing and paid the proposed fine. An order dismissing the case was subsequently issued.

Additional Administrative Actions Concerning Late Filers

The following chart is comprised of licensees that filed license renewal applications for the 2001/2003 licensing period later than allowed by statute and whose cases have been resolved by administrative determination. Each of the following entities was fined \$200, however, a subsequent violation would result in the fine being doubled. Accordingly, please take this opportunity to mark your calendar so that your license renewal applications are filed by the appropriate due dates.

<i>Name of Licensee</i>	<i>Dismissal/Order Date</i>
Hoge's, Oxford	3/8/02
VFW Post #05130, Elkhorn	3/11/02
Orchard Volunteer Fire & Rescue, Orchard	3/12/02
Classic Lanes, Gering	3/14/02
J.R. Baker, L.L.C., d/b/a Little Bo's, Columbus	3/18/02
Southern Sarpy Activities Program, Springfield	3/20/02
La Hacienda Mexican Restaurant, Omaha	4/11/02
Cuzins, Inc., d/b/a Beer City, Omaha	4/29/02
Humza Business, Inc., d/b/a Jake's Minimart, Omaha	4/30/02
Tammy, Inc., d/b/a Tam O'Shanter, Lincoln	5/24/02

The Department issued 43 Notice of Intent to Deny letters and denied 20 licenses. There have been no orders issued to cease and desist from violating charitable gaming laws since May 2001.

I've Got A Question ???????



Here are a few of the common questions we receive about pickle cards. If you have additional questions, please contact us. See page 2 for contacts and phone numbers.



Q How long after I apply will it take to get my new Pickle Card Operator License?

Q May I (as the pickle card operator) order more pickle card units while operating under a temporary agency agreement (TAA)? If yes, who is responsible for the cost of the pickle card units?

Q When a pickle card operator is no longer in business, what happens to the unsold pickle cards that are in an unopened unit? Is it the same answer for a partial unit?

Q May I, as the new owner of the business, sell out the pickle cards purchased by the previous owner?

Q May I get a refund on my licensing fees if I no longer wish to sell pickle cards? If not, why not?

Q What must I do if I close my business licensed as a pickle card operator or I no longer wish to sell pickle cards?

A After the Department has completed the review of the your application for accuracy and completeness, a pickle card operator's license will be issued once you are issued a retail liquor license by the Nebraska Liquor Control Commission. To expedite processing of your application, be sure that you have no tax liabilities, including penalty and interest, owing to the Nebraska Department of Revenue.

A Yes, you may order more pickle card units from the licensed organization(s) for which the previous owner is authorized to sell. Either you or the previous owner of the location may issue a check for the purchase.

A An unopened unit should be returned to the nonprofit organization from which it was purchased. Although the nonprofit organization is not obligated to accept the unit, generally, the nonprofit organization will resell the unit and you will receive full credit for an unopened unit. If there is an open or partial unit of pickle cards and the new owner of the business does not wish to be licensed to sell pickle cards, you will need to contact the Charitable Gaming Division prior to issuance of the new liquor license to make arrangements for the remaining pickle cards to be picked up for proper disposal. There is no refund or credit for partial or open units.

A Yes, as long as you are licensed as a pickle card operator or are operating under a TAA and the former owner is licensed as a pickle card operator and the pickle cards were included in the assets you purchased when the business changed hands.

A No, there is nothing in our current statutes or regulations that authorizes us to refund a portion of the license fee simply because a pickle card operator no longer wishes to sell pickle cards.

A Notify the Charitable Gaming Division of the change. You will be asked to return your pickle card operator license and all authorizations to the Department for cancellation.

Class II Pickle Card Licensees and Quarterly Reports

The Charitable Gaming Division is seeking to change a reporting regulation pertaining to organizations which hold a Class II Lottery by Pickle Card license. The existing regulations currently require these organizations to file a **Nebraska Class II Lottery by Pickle Card Quarterly Report, Form 35D**. As of the effective date of the proposed regulations, this requirement will be eliminated. The report for July 1, 2002 through September 30, 2002 will be the first report this change will affect. Organizations will still be required to file a Nebraska Pickle Card Annual Report, Form 35A, for each fiscal year on or before August 15th of each year.

We encourage each organization to continue to prepare a quarterly report both for information for the membership and as part of your internal controls. And remember, this change is proposed only for the Class II Pickle Card Quarterly Report. The Nebraska Class II Bingo Quarterly Reports will still be required to be filed for each quarter.

Department Adopts New Bingo Regulations



New bingo regulations became effective March 10, 2002. The new regulations are a comprehensive rewrite of the rules governing bingo and provide changes which bingo

licensees have long awaited. You may be wondering why the Charitable Gaming Division hasn't sent you a copy of the new bingo regulations....well, there is a good reason!

Since we drafted the changes contained in the newly adopted bingo regulations, three more legislative bills were enacted by the Nebraska Legislature which changed some provisions of the bingo laws. Consequently, additional changes need to be made to the bingo regulations so they harmonize with Nebraska statutes, including the implementation of biennial licensing. Several of the bingo regulations effective in March are based upon an annual license renewal so revisions have been drafted.

The Department will be holding a public hearing on July 17 to make the necessary changes to these regulations (see related article on page 3). We are hoping that the changes can be swiftly adopted and when completed, we intend to send new bingo regulation booklets to all affected licensees. In the meantime, however, if you would like a set of the current regulations adopted on March 10, please contact the Charitable Gaming Division and we will gladly send them to you. The new regulations are also available through our Web site where you can view and/or print a set at your convenience.

County/City Lottery News Briefs

Total dollars wagered on keno for the period April 1, 2001 through March 31, 2002 were \$173,335,581. This represents an increase of over six percent as compared to the total dollars wagered on keno for the previous twelve-month period (\$163,463,337). Total dollars wagered on keno for the period January 1, 2002 through March 31, 2002 were \$46,251,988 which represents an increase of almost six percent as compared to the previous quarter, October 1, 2001, through December 31, 2001 (\$43,732,852).

❑ Elections approving a county/city lottery were held by the Village of Kilgore on April 24, 2001 and by the City of Osceola on May 14, 2002. We are not aware of any other elections since April of 2001 although a few communities have indicated interest in county/city lottery activity. If you know of other elections held on the approval of a county/city lottery, please notify our office.

❑ New communities licensed since May 2001 include the Villages of Kilgore, Niobrara, and Verdigre. The Village of Lodgepole resumed their county/city lottery activity since our last newsletter. All of these villages contract with Lotto Nebraska as their lottery operator.

❑ The communities licensed through May 31, 2004, that are inactive as of this publication include the Cities of Cambridge and O'Neill and the Villages of Duncan and Memphis. The licenses issued for the prior licensing period to the Villages of Shelton, Sterling, and Unadilla expired on May 31, 2002. Several communities cancelled or inactivated their licenses since June 2001. They include the Cities of Minatare and Yutan and the Villages of Anselmo, Beaver Crossing, Belgrade, Cedar Creek, Exeter, Nehawka, and Overton.

❑ Changes to lottery operators were made in various communities. Elkhorn Keno Casino, Inc. is the new lottery operator in the City of Elkhorn. Dannell Kovacs, doing business as Brand X Saloon, is the new lottery operator for the City of Hebron. Kearney Gaming, LLC, is the new lottery operator for the City of Kearney. Lana Collier and Patrick Adams, doing business as Lorton Lounge, are the new lottery operators for the Village of Lorton. Big Red Lottery Services is no longer a licensed lottery operator in the City of Bellevue or Sarpy County. Big Red Lottery Services is now the sole lottery operator for the City of Omaha/Douglas County lottery.

It Is Illegal to Play Keno on Credit or While Working Game

We have encountered numerous instances of lottery workers not only playing keno for themselves while on duty (which is a violation of participation rules), but also playing keno for themselves on credit or accepting credit wagers from players (which is a violation of method of payment rules). These violations seem to be increasing in frequency and are consuming more investigative and audit time.

Credit betting, whether allowed by the lottery worker for a player or placed for the benefit of the lottery worker, may result in significant loss of proceeds for community betterment which are properly due to the sponsoring county, city, or village. In addition, the lottery operator and the sales outlet location, if applicable, conducting the lottery directly may lose money otherwise received as commissions. Plus the lottery operator or the sales outlet location may be required to pay reimbursement of any missing funds to the sponsoring community. These situations may also subject the county, city, village, lottery operator, sales outlet, and/or lottery worker to fines and/or license suspensions or revocations. And the lottery worker, keno manager, sales outlet owner, and/or lottery operator may be subject to criminal prosecution. The sponsor may also be faced with additional consequences based on their contract with the lottery operator which may require charges citing breach, cancellation, or other termination of contract clauses.

The two specific sections of the Nebraska County and City Lottery Act which apply here are:

Section 9-646(3)No employee or agent of a county, city, village, lottery operator, or authorized sales outlet location shall play the lottery of the county, city, or village for which he or she performs work during such time as he or she is actually working at such lottery or while on duty.

Section 9-646.01. No extension of credit. No person or licensee, or any employee or agent thereof, accepting wagers on a lottery conducted pursuant to the Nebraska County and City Lottery Act shall extend credit from the gross proceeds of a lottery to participants in the lottery for the purchase of lottery tickets. No person shall purchase or be allowed to purchase any lottery ticket or make or be allowed to make any wager pursuant to the act unless he or she pays for such ticket or wager with cash. For purposes of this section, cash shall mean United States currency having the same face value as the price of the ticket or wager.

Any lottery worker playing while on duty harms the integrity of your game. If governing officials, lottery operator representatives, or law enforcement periodically visit the game, they may identify lottery workers playing while on duty. A sponsoring community or lottery operator that receive complaints of lottery workers playing on duty are to

forward the information to Charitable Gaming for further investigation.

Any form of credit betting is illegal and may harm the integrity of and proceeds from your game. Adequate internal controls will minimize credit betting. We have developed worksheets now used by our auditors, inspectors, and investigators which might assist you in recording daily cash activity and deposits or documenting game details. If you desire more information about instituting controls or re-examining existing controls, please contact our Lincoln office or an inspector, investigator, or auditor near your area. Please refer to the contact information with telephone numbers and e-mail addresses on page 2 of this publication.

Lottery Worker Applications

Lottery worker application changes effective on July 20, 2002, the effective date of LB 545, include the worker being able to start work once his or her properly completed and signed Nebraska Schedule III - County/City Lottery Worker Application, Form 50G, is postmarked or sent by facsimile to the Department. The Department must physically receive the Schedule III within 10 days of such postmark or facsimile date. The sponsoring community or lottery operator are to confirm the application has been received by the Department by monitoring the list of county/city lottery workers on our Web site or contacting the Department.

In addition, each lottery worker application must be reviewed, approved, and signed by a governing official or an authorized representative of the county, city, or village. All information on lottery worker applications is to be kept current with the Department, including notification when a licensed lottery worker is no longer employed by the lottery.

Lottery worker licenses will expire every two years as of May 31, 2003. Renewals are to be filed 60 days prior to the expiration of the existing licenses.

Correct Clocks for Keno Games



Does your keno equipment automatically change the time when we switch from standard time to daylight savings time in the spring and back in the fall? If

not, did you remember to have the clock reset in time for that change this spring?

During recent keno investigations, inspections, and audits by Department staff, we have found that not all keno clocks are set correctly. Since it is illegal to run keno games between 1 a.m. and 6 a.m., an incorrect clock on your system may cause documents to indicate you were running during that time which could subject you to sanctions. Procedures to verify the accuracy of the clock and to reset it when necessary are the responsibility of the county, city, or village and the lottery operator. Keep your keno clock accurate to avoid this problem.

New County/City Lottery Regulations Adopted

In county/city lottery, two amended regulations and one new regulation took effect on September 29, 2001. These regulations changed the expiration date of county/city lottery licenses issued to counties, cities, villages, lottery operators, and sales outlets from September 30 of odd-numbered years to May 31 of even-numbered years. These regulations also extended the existing biennial licenses from September 30, 2001 to May 31, 2002. The renewal applications that were filed by most county/city lottery licensees last fall were held until this spring to process.

More substantive changes to the county/city lottery regulations have been drafted to bring them into compliance with the numerous legislative changes over the past dozen years. The Department will hold a public hearing on July 17 for the various proposed gaming regulation changes (see related article on page 3). Subsequent to the adoption of these revisions, we will print and distribute to licensees the new set of county/city lottery regulations.

FCC Relaxes Its Position on Keno Advertising

In 1990, Charitable Gaming Division sought clarification from the Federal Communications Commission (FCC) on the impact of the federal Charity Games Advertising Clarification Act of 1988 on the advertising of a keno lottery in Nebraska when the lottery activity was conducted on behalf of the political subdivision by a for-profit lottery operator. The FCC issued an opinion in 1991 concluding that when a political subdivision conducts the activity with its own employees, that activity may be advertised. However, when a for-profit lottery operator does the day-to-day work of the lottery activity, the FCC stated that the activity is no longer "conducted by" the political subdivision and, therefore, could not be advertised.

In *Greater New Orleans Broadcasting Association, Inc. v. United States*, 527 U.S. 173 (1999), the United States Supreme Court rendered a decision regarding the advertising of lotteries and casino gambling. The decision related to whether the government's ban on television and radio ads promoting casinos outside Indian reservations violated free-speech rights. The Court reversed a Court of Appeals decision and concluded that the broadcast prohibition in 18 U.S.C. § 1304 and 47 C.F.R. §73.1211 (1998) violated the First Amendment.

In light of the Supreme Court's decision, the Department requested that the FCC review its 1991 ruling regarding the application of Section 1307(a)(2)(A) of the Charitable Games Advertising Clarification Act of 1988. In March of this year, the Department received a letter from Mr. David H. Solomon, Chief of the Enforcement Bureau of the

FCC, indicating, "the Enforcement Bureau does not intend to undertake enforcement efforts pursuant to 47 C.F.R. §73.1211 (Broadcast of lottery information) with respect to broadcast advertisements concerning lawful keno lottery games in Nebraska, which are not conducted and controlled by a Nebraska governmental organization."

This recent development from the FCC means keno operations in Nebraska are permitted to use broadcast media to advertise its keno games. It doesn't make any difference whether the advertising is arranged and paid for by the sponsoring community or the lottery operator. However, please remember that if the county, city, or village pays for the advertising, it is a promotional expense of operating the lottery which is subject to the 14 percent expense limitation. If you have any questions, please contact the Charitable Gaming Division.

Purchase Only from Licensed Manufacturers, Distributors, and Manufacturer-Distributors



If you are purchasing gaming equipment or certain gaming supplies from catalogs you receive, do you check with us to confirm that the supplier is properly licensed in Nebraska? We are aware that many of our licensees receive catalogs of gaming items

through the mail and that some of these catalogs are being distributed by unlicensed suppliers or wholesalers. While we have no authority to stop the catalogs, we can remind licensees they are required to buy equipment from properly licensed suppliers.

Did you know that if you purchase gaming equipment from a non-licensed supplier that you may be subject to administrative sanctions? The sanctions imposed may include a fine and/or license suspension or revocation.

Nebraska law requires that each manufacturer, distributor, and manufacturer-distributor of gaming equipment and certain gaming supplies apply for a license and meet specific requirements prior to a license being issued. The law further requires that only certain licensees may purchase gaming equipment and that such items may only be purchased from properly licensed suppliers. If you are licensed to purchase any gaming equipment or supplies, the law also makes it your responsibility to do business with suppliers properly licensed in Nebraska. Direct your question on whether a specific supplier is licensed to the Charitable Gaming Division. Please refer to the regulations for your gaming license to determine the type of supplies and equipment that may only be purchased from a licensed supplier.

Gaming Calendar

July 2002

- 4 All State Offices Closed** - Independence Day
- 17 Regulation Hearing** at 10 a.m. in Nebraska State Office Building, Lincoln.
- 30 Form 51 Tax Return and Applicable Schedule(s) Due.** Must be postmarked no later than July 30.

August 2002

- 15 Bingo, Pickle Card, and Lottery/Raffle License Renewal Applications Due** for licenses that expire September 30, 2002. Organizations, utilization of funds members, sales agents, and gaming managers must have their license renewal applications postmarked no later than August 15.
- Organization Annual Reports Due.** Forms 35, 35A, and 35B for bingo, pickle card, and lottery/raffle activities must be postmarked no later than August 15.

September 2002

- 2 All State Offices Closed** - Labor Day
- 30 Licenses for Bingo, Pickle Card, and Lottery/Raffle** issued for the 2001-02 License Year Expire at Midnight.
- Last Day of Quarter (July 1 through September 30)**

October 2002

- 1 First day of 2002-2004 Biennial License Period** for those issued licenses expiring September 30, 2004. This includes licenses issued for Bingo, Pickle Card, and Lottery/Raffle to specified applicants.
- 14 All State Offices Closed** - Columbus Day
- 30 Form 51 Tax Return and Applicable Schedule(s) Due.** Must be postmarked no later than October 30.
- Organization Quarterly Reports Due.** Form 35C for bingo activities must be postmarked by October 30.

November 2002

- 11 All State Offices Closed** - Veterans' Day
- 15 2002 Pickle Card Dispensing Device Registration Renewals Due.** Applications to renew registration of pickle card dispensing devices must be postmarked by November 15.
- 28-29 All State Offices Closed** - Thanksgiving Holiday

December 2002

- 25 All State Offices Closed** - Christmas Day
- 31 2002 Pickle Card Dispensing Device Registrations and Decals expire at Midnight.** Organizations and pickle card operators must have a 2003 decal affixed to any dispensing device in use after midnight or cease using such device.
- 2002 Mechanical Amusement Device Licenses and Decals expire at Midnight.** Operators and distributors must have a 2003 decal affixed to any dispensing device in use after midnight or cease using such device.
- Last Day of Quarter (October 1 through December 31)**

January 2003

- 1 All State Offices Closed** - New Year's Day
- 8 2003 Legislative Session begins** (90-day session with last day anticipated in late May or early June).
- 20 All State Offices Closed** - Martin Luther King Day
- 30 Form 51 Tax Return and Applicable Schedule(s) Due.** Must be postmarked no later than January 30.
- Organization Quarterly Reports Due.** Form 35C for bingo activities must be postmarked by January 30.

February 2003

- 17 All State Offices Closed** - President's Day

March 2003

- 31 Last Day of Quarter (January 1 through March 31)**

April 2003

- 2 County/City Lottery Worker License Renewal Applications Due.** Lottery workers must have their license renewal applications postmarked no later than April 2.
- 25 All State Offices Closed** - Arbor Day
- 30 Form 51 Tax Return and Applicable Schedule(s) Due.** Must be postmarked no later than April 30.
- Organization Quarterly Reports Due.** Form 35C for bingo activities must be postmarked by April 30.

May 2003

- 26 All State Offices Closed** - Memorial Day

June 2003

- 1 First day of 2003-2005 Biennial License Period** for County/City Lottery Worker Licenses.
- 30 End of 2002-2003 Annual Reporting Period**
- Last Day of Quarter (April 1 through June 30)**

Compulsive Gamblers Assistance

Problem Gambling Help Line 1-800-560-2126

- ✓ Gamblers Anonymous (Lincoln) (402) 473-7933
 - ✓ Gamblers 12 Step & Family (Omaha) (402) 978-7899
 - ✓ Gamblers Anonymous (Omaha) (402) 978-7557
 - ✓ Gamblers Anonymous (National) 1-800-GAMBLER
- For information on problem gambling and how to get help in Nebraska, please visit the Nebraska Council on Compulsive Gambling at www.nebraskacouncil.com.



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